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- (1) Fukuda winds up US visit, solidifying his foundation for post-Koizumi race; Popularity growing owing to silence

MAINICHI (Page 5) (Abridged)
May 18, 2006

Ryuko Tadokoro, Washington

Upon winding up his weeklong trip to the United States, former Chief Cabinet Secretary Yasuo Fukuda of the Liberal Democratic Party will return home today. Fukuda, who appears to be putting high priority on Asia policy, met energetically with key players in the Bush administration, such as Vice President Dick Cheney, and congressional members to demonstrate his stance of attaching importance to relations with the US as well. Fukuda, who has been closing the gap with Chief Cabinet Secretary Shinzo Abe in recent opinion polls on the post-Koizumi race, impressed US leaders as a promising contender.

During his stay in the United States, Fukuda held talks with over 50 individuals, including Secretary of State Condoleezza Rice, Secretary of Defense Ronald Rumsfeld, and congressional and think-

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tank members. Although the contents of those talks and the timetable were not disclosed in detail, Fukuda reportedly highlighted the need to improve relations with China when conversation moved to the subject of China, such as the strained relations between Tokyo and Beijing and China's military buildup. Former Ambassador to Japan Howard Baker also gave Fukuda a warm reception at his home, suggesting that he played an important role in arranging Fukuda's meeting with US leaders.

Fukuda's support ratings are also on the rise. The Mainichi Shimbun's May 13-14 survey showed an increase of 2 points from the previous poll, in which his popularity had surged. Polls by four other news companies also showed increases of 7 to 10 points for Fukuda. In stark contrast, Abe's support rating dropped 12 points in one survey. Although Abe is still the favorite over Fukuda, the projected race among four hopefuls -- Taro Aso, Sadakazu Tanigaki, Yasuo Fukuda, and Shinzo Abe -- has fundamentally changed.

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A ruling party member described Fukuda's popularity this way: "He has been doing well while keeping silent. He has been selling himself as an expert on diplomacy who can handle not only East Asia but also relations with the US." One cabinet minister also said, "Mr. Fukuda's popularity has been growing because he has been quiet." His view is that although Fukuda has yet to announce his candidacy clearly, his steady diplomatic efforts have made those unhappy with Prime Minister Koizumi's Asia policy view him as the ideal replacement.

Fukuda's strategy of determining his chances to run in the race with a watchful eye on public opinion has been successful. But many think Fukuda is still undetermined and could say, "I never said I would run in the race."

Support ratings for Abe and Fukuda

	Shinzo Abe	Yasuo Fukuda
Mainichi Shimbun	38% (+2 from previous survey)	20% (+2)
Yomiuri Shimbun	40% (-4)	23% (+10)
Nihon Keizai Shimbun	33% (-7)	21% (+7)
Kyodo News Service	40% (-12)	31% (+9)
NHK	30% (no change)	16% (+7)

(2) American eyes carefully watching LDP presidential election campaign

SHUKAN SHINCHO (Page 36) (Full)
May 25, 2006

The LDP presidential election is looking more and more like becoming a close race between two rivals in the same Mori faction, with former Chief Cabinet Secretary Yasuo Fukuda gaining rapidly in the polls on Chief Cabinet Secretary Shinzo Abe. Even in his recent visit to America, Fukuda was able to meet in rapid succession with a number of influential members of the Bush administration. Although his treatment was sharply noticed by the press, it was not at all that unusual a case. Said one Washington-

based special correspondent: "Although Fukuda met with Secretary of State Rice, Defense Secretary Rumsfeld, and Vice President Cheney, among others, when Abe and Finance Minister Tanigaki visited Washington, they received the same treatment. Of course, there was the calculation that Fukuda perhaps might become the next prime minister, but it was only protocol to receive such treatment as a politician who once had held an important post in the government of Japan, an important US ally. It was not an act worthy of special mention."

However, there are needless to say close links between politics in Japan and the US. How do these high officials see the LDP presidential race? One Washington think-tank source said: "Of course, if the party were different, their thinking would be different. But the tone is quite different since he is from the same party. However, for the Bush administration, which still has two and a half years left in office, there is a desire to continue the honeymoon-like relationship that has existed until now. In that sense, Abe, who has the support of Koizumi, is a better candidate for the administration."

Another important factor for Washington is the candidate's sense of distance from China. The same source continued: "In the current administration, there are officials like Deputy Secretary

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of State Zoellick who are pro-China types, but basically, the government, like its ally Japan, thinks of China at the crossroads of becoming a military threat. Therefore, on that point, they give high marks to Abe. Since Mr. Fukuda is conciliatory toward China, they have some qualms about him."

Recently, it was reported that House of Representatives Chairman of the Foreign Relations Committee Hyde (Republican) had written a letter to the Speaker of the House complaining about Prime Minister Koizumi's paying homage at Yasukuni Shrine, but that does not seem to be much to worry about. The special correspondent cited above stated: "Among one of Hyde's aides is a staffer who lived a long time in South Korea and is critical of Japan's having once annexed Korea. Last fall, too, Hyde sent the same kind of letter to Japanese Ambassador to the US Ryozo Kato, and the contents were then leaked to the South Korean media. Although some segments of the Japanese media picked up the report, most treated it as something having been generated by a certain "usual suspect."

This time, only the Asahi wrote up the story.

(3) Why the accompanying press was miffed at Yasuo Fukuda during his rare trip to the United States

SHUKAN BUNSHUN (Page 25) (Abridged)
May 25, 2006

In an opinion poll carried out by Kyodo News on May 13-14, Chief Cabinet Secretary Shinzo Abe was the top pick with 40.1% of respondents when asked who they thought was "appropriate to be the next prime minister." Former Chief Cabinet Secretary Yasuo Fukuda was next with 31.4%. But only a month ago, there had been a 30-point spread between the two potential prime ministerial candidates, indicating that Fukuda is in hot pursuit of the overwhelming favorite Abe.

Fukuda arrived in the United States for his visit on May 10. His selling point was not just his Asia policy, He also seemed to want to show that he has good connections in America, as well, with meetings set up with such senior Bush administration officials as Secretary of State Rice, Vice President Cheney, and Defense Secretary Rumsfeld.

One political correspondent pointed out: "Since he does not now have a cabinet portfolio, it is quite unusual to be able meet such illustrious figures. Naturally, I would have liked to find out a bit of what they had talked about, but Mr. Fukuda's treatment of us locally was atrocious, so I don't know at all the contents."

To learn the details, let us go back to the starting point. The same source revealed: "At the time of his departure, he sent us a message through his son Tatsuo, who is his private secretary, that this time, he was not going to provide us with a schedule of meetings and other events. After he arrived in the US, he met with Secretary of State Rice from 4:00 pm at the State Department, but he asked the press corps not to follow him around, and he said he would provide no briefing."

We in the press then wondered why then were we accompanying him anyway, as we all stood outside the State Department waiting for him to come out, said the same source. Fukuda emerged,

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accompanied by Ambassador to the US Ryozo Kato and former US Ambassador to Japan Baker, but he walked right by the press corps without a glance. Ambassador Baker, who is knowledgeable about Japan, was pressed to say something, so he stood before the blur of cameras to respond. But he would only repeatedly say, "You have lots of questions, but it was only a courtesy call and they just chatted about various subjects."

The next day, Fukuda met Vice President Cheney and Defense Secretary Rumsfeld. The same source continued: "That day, too,

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the comment was the same as the previous day's. When Ambassador Baker emerged from the Pentagon, the television and camera crews approached him, but this met with a protest from private secretary Tatsuo in an exchange that lasted a good 30 minutes.

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After that, Tatsuo sent word to the press, as if he wanted to say something to them, that time would be made available in the evening. But by eight o'clock that night when he still had not contacted them, we realized that we had been stood up."

Finally, on the 13th, Fukuda responded to a round-table with the press, but on condition that it be completely off record and that no articles be written. What the press corps had wanted to ask him about was his round of meetings and about the remark by former Prime Minister Mori's about not being able to unify the faction around one candidate, Abe or Fukuda, and what his reaction was to that. His answers to both queries were curt.

A reporter on the political desk said: "It is inconceivable that his conversations with such an array of senior officials were just idle chatter. Since the taxpayers' money was being used, with Ambassador Kato accompanying him, to say that he did not talk about anything in particular only makes fools of the Japanese people. Fukuda may feel that the press only came along with him for the heck of it."

Is it all right for such a politician to become prime minister?

(4) US not pinning high hopes on former South Korean President Kim Dae Jung's Pyongyang visit; Still skeptical about Seoul's reconciliation strategy toward North Korea

YOMIURI (Page 6) (Full)
May 18, 2006

Washington, Takashi Sakamoto

Washington intends to carefully watch whether former South Korean President Kim Dae Jung's decision to visit Pyongyang again will lead to North Korea's return to the six-party talks. The US government has recently come up with a policy of applying pressure on North Korea by such means as cracking down on its wrongdoings and the human rights issue. As such, even if Kim's visit prompts North Korea to shift to a flexible stance, the US is unlikely to change its hard-line approach.

Regarding Kim's decision to visit Pyongyang, a spokesperson for the Department of State noted, "We support dialogue between the

South and the North and reconciliation on the Korean Peninsula."

Assistant Secretary of State Christopher Hill, the chief US delegate to the six-party talks, will visit South Korea in late May to coordinate views with the goal of restarting the talks. The Bush administration, which attaches importance to applying

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pressure on North Korea, is still skeptical about the Roh Moo-hyun administration's policy, which advocates giving the North favors in return for coming back to the framework. A US government official made an ironic comment: "There is no concern at all over US-South Korea relations deteriorating any further, because they can only get better." There is little chance the US is pinning its hopes on a Pyongyang visit by Kim, who essentially created South Korea's current policy toward the North.

The US government has stressed that if the North comes back to the six-party talks, it would restart the talks as soon as tomorrow, as Hill put it. The US has urged the North to unconditionally come back to the negotiating table. Even if the talks restart, the US has no intention of rewarding Pyongyang by providing economic assistance or normalizing ties.

Secretary of State Rice on May 15 announced the US decision to

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restore full diplomatic ties with Libya and remove it from a list of state sponsors of terrorism, signaling incentives for North Korea if it follow suit. Abandoning its nuclear development program is the precondition needed for it to follow the Libya model.

The US government has already imposed financial sanctions against banks in Macau, which the North used to launder money. The US is strengthening pressure on the North on the human rights area, as well. As part of such efforts, it has started accepting North Korean defectors. President Bush also met with the mother of abductee Megumi Yokota.

Focus is on progress on abduction issue

Hajime Izumi, professor at Shizuoka University

Attention is being paid to how various issues will unfold after Kim's visit to Pyongyang, including the working-level talks under the six-party talks scheduled for later in the month, the abduction issue in South Korea, and the issue of South Korean prisoners that have been kept since the Korean War.

The G-8 Summit to be held in Russia in July will likely discuss Japan's abduction issue. Should that occur, Pyongyang will need to respond. The North might think that if there is any progress on the abduction issue involving South Korea, it could dampen the momentum of Japan and the US, which are determined to settle the issue through pressure.

Unlike Japan and the US, South Korea hopes to settle the abduction issue through economic assistance. Progress in efforts to settle the abduction issue is also advantageous to it. South Korea is increasingly alert to China, which is increasing its influence on Pyongyang through economic assistance. If any progress can be achieved regarding the abduction issue, Seoul can justify itself in extending assistance to Pyongyang with its construction of infrastructure as a measure to counter China.

In this sense, I would not be surprised if Kim's Pyongyang visit prompts discussions on the confirmation of the whereabouts of alleged South Korean abductees, the first step in settling South Korea's abduction issue. Kim will not visit Pyongyang in the capacity of special government envoy, but his visit is apparently directly linked to progress in North-South relations.

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(5) Government to expand investment in oil development due to high prices

NIHON KEIZAI (Page 1) (Full)
May 17, 2006

The government will boost aid for Japanese firms to independently develop oil and gas fields. Japan will reinstate its independent development goal, which was ended in 2000, and will increase the rate of independently developed oil to imports from the current 15% to 40% by 2030. As specific support measures, the government will increase public funds to be offered to private development firms and expand debt guarantees. By introducing such measures for private oil developers, the government aims to secure a stable supply of oil.

The Research Commission of Comprehensive Resources and Energy in the Economy, Trade, and Industry Ministry will finalize its draft report tomorrow specifying this policy switch and also incorporate it in its report on a new national energy strategy due out by the end of this month. The new policy will also be reflected in the Basic Policies for Economic and Fiscal Management for June.

The government had set the goal of raising the rate of independent development to 30% since the 1960s, but it withdrew that goal in 2000 in response to the declining significance of independent development due to the spreading view that oil would always be available on the market. Amid heated global competition for oil given surging prices to the level of around 70 dollars per barrel, however, the government has judged that it should commit itself to ensuring a stable supply of oil.

A key measure is to expand investment by Japan Oil, Gas, and Metals National Corporation (JOGMEC), which has taken over the business of the defunct Japan National Oil Corporation (JNOC). When a project to exploit gas or oil is carried out, it is common for oil companies or trading houses to provide funds and establish a development firm capitalized at billions to ten of billions of yen. The government will study a measure to raise the maximum rate of investment in such development firms from the current 50% to 70%.

A development company needs a 100-billion-yen-level plant fund to start full-scale production. To help developers borrow money from banks, the government intends to raise the maximum debt-guarantee percentage from the current 50%. To secure financial resources to cover such disbursements, the government plans to trim unnecessary projects when the special accounts for oil and power development are integrated in fiscal 2007.

As a result of the Japan National Oil Corporation investing in or offering loans for unprofitable projects, the corporation had an accumulated debt of over 700 billion yen. Reflecting on this, JOGMEC will offer aid only for projects whose rate of return is over 10%. An audit group composed of experts will select eligible projects, and a system to check profits every year will also be established.

(6) METI greatly shaken

BUNGEISHUNJU (Pp. 235-236) (Abridged slightly)
June 2006

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The Liberal Democratic Party suffered an expected defeat in the April 23 Lower House Chiba by-election, which was a proxy battle between Prime Minister Junichiro Koizumi and Minshuto (Democratic Party of Japan) President Ichiro Ozawa. The Ministry of Economy, Trade and Industry (METI) was badly shaken by the outcome, including Administrative Vice-Minister Hideji Sugiyama (who joined METI's predecessor, Ministry of International Trade and Industry (MITI), in 1971).

METI officials had been optimistic that the LDP's publicly recruited candidate Ken Saito, a former METI official who once held the position of vice governor of Saitama Prefecture, would easily defeat the 26-year old Minshuto candidate Miwa Ota, a former Chiba prefectural assembly member.

The election upset explains the rage felt by METI Minister Toshihiro Nikai, who reportedly was influential in picking Saito from among 200 applicants as the LDP candidate. Vice Minister Sugiyama and other senior ministry officials may punish Minister's Secretariat Assistant Vice-Minister Kazuo Matsunaga (1974), who served as a coordinator for the Chiba race.

It has been traditional since the MITI period that when retired or incumbent officials run in national elections, eight METI regional bureau chiefs establish a ministry-wide support system centering around the assistant vice-minister of the Ministers' Secretariat. In the case of the Chiba by-election, Matsunaga and

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Kanto Bureau chief Takehide Takahashi (1976) assumed that responsibility. Their failure infuriated METI Minister Nikai.

METI's support system reportedly did not work because of strong factional rivalry between alumni of Komaba High School -- a school attached to the former Tokyo University of Education that is now the University of Tsukuba -- and alumni of Azabu High School.

Rivalry between the two groups has been rampant since the MITI days across the board, including personnel affairs. Saito is a graduate of Komaba, whereas Matsunaga and Takahashi are from Azabu. Traditional enmity between the two academic cliques worked against Saito.

Nikai, who has close ties to the Kansai Electric Power Co., thinks Matsunaga treated the power industry coldly when he was director general of the Nuclear and Industrial Safety Agency. For this reason, it was certain that Nikai would sack Matsunaga this summer, regardless of the outcome of the Chiba poll.

What is the lineup of the Komaba faction look like? There are many promising members who are close to Saito in age, such as Economic and Industrial Policy Bureau Economic Analysis Office Director Kazuaki Hasegawa (1982), Industrial Finance Division Director Masakazu Ichikawa (1983), Regional Economic and Industrial Policy Division Director Kensuke Yamamoto (1981), and Trade and Economic Cooperation Bureau Trade Finance and Economic Cooperation Division Director Hitoshi Ito (1982).

But they did not throw their total support behind Saito. The reason was probably because Saito, who was eager to enter politics all along, once briefly leaned toward Minshuto (Democratic Party of Japan).

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Saito's lonely battle brought about unexpected consequences.

SCHIEFFER